UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
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JACK LEBEWOHL, JEREMY LEBEWOHL,
UNCLE ABIES DELI INC. d/b/a 2ND AVE DELI,
UNCLE ABIES DELI ON FIRST INC. d/b/a 2ND AVE DELI,
AND UNCLE ABIES DELI SANDWICH TRADEMARKS LLC,

Plaintiffs,

-against- Index No. 11-cv-3153 (PAE)

HEART ATTACK GRILL LLC, HAG LLC,
JON BASSO, DIET CENTER LLC (TEXAS) AND
DIET CENTER LLC (DELAWARE)

Defendants.
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MEMORANDUM OF LAW IN OPPOSITION TO DEFENDANTS' VOLUNTARY MOTION TO DISMISS

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Preliminary Statement

Five weeks before the end of discovery in this case, Defendants (hereinafter, "HAG") move to voluntarily dismiss their counterclaims *without prejudice* pursuant to Fed. R. Civ. P. 41(a)(2). Plaintiffs (hereinafter, the "Deli") oppose this motion. At this stage in the litigation, Plaintiffs have already expended a great deal of time and money preparing to defend against the counterclaims. Defendants' motion could have been brought much earlier. It is based upon allegations made in the Complaint filed on May 10, 2011. Plaintiffs finished their document production on October 14, with the bulk of the production completed on August 19. Plaintiffs served its response to the requests for admission on November 4. Furthermore, HAG has always had and retains the right to pursue its counterclaims in the USPTO. Given the tardiness of the instant motion, granting it would prejudice Plaintiffs. Lastly, leaving Defendants the right to re-file their case would frustrate the Plaintiffs' interest in obtaining an adjudication of their rights with regard to the HAG Marks.

Legal Standard

By its terms, Fed. R. Civ. P. 41(a) does not permit voluntary dismissal without prejudice without leave of court unless the parties consent. Zagano v. Fordham Univ., 900 F.2d 12, 14 (2d Cir. 1990). Factors relevant to the consideration of a motion to dismiss without prejudice include: the movants' diligence in bringing the motion; any "undue vexatiousness" on the movants' part; the extent to which the suit has progressed, including the non-movants' effort and expense in preparation for trial; the duplicative expense of relitigation; and the adequacy of movants' explanation for the need to dismiss. Id.

Defendants in this case have not met this standard, so their motion should be denied.

A. HAG Has Not Been Diligent In Bringing The Motion.

Defendants' motion relies heavily upon admissions made in the Complaint, which was filed on May 10, 2011. (Mot. To Dismiss, D.E. 31, pg. 4.) Nevertheless, HAG claims that it could not determine the scope of the Deli's rights until documentary discovery was complete. (Id. at 5.) However, HAG's moving papers refer only to PLF 0432-32, which was provided to them on August 19, 2011. (Decl. Of William W. Chuang In Opp'n., ¶ 2.) In any event, the Deli finished producing documents on October 14 and served its responses to the Requests For Admission on November 4. (Id.)

By the time it filed its answer to the Second Amended Complaint on November 4, HAG already received all of the documentary evidence that it now relies upon to claim that its counterclaims were incorrectly brought. HAG nevertheless filed its counterclaims on November 4, 2011. The instant motion was not brought until December 6, more than a month after the Deli's responses to the requests to admit were served, and almost two months after the Deli completed document production.

On this record, HAG did not bring this motion diligently.

B. HAG Has Been Vexatious.

The Deli has already fulfilled its discovery obligations in this case. In contrast, HAG has yet to even disclose the owners of Diet Center LLC (Delaware) despite this exact information being the topic of an interrogatory. The deficiencies in HAG's discovery responses are set forth in more detail in the Deli's letter to the Court regarding the topic.

HAG has also used this litigation to attack the Deli in the press. Jon Basso told the Wall Street Journal, in reference to this case:

> "These are desperate times for the unimaginative, but a simple formula has emerged; 1) copy my intellectual property, 2) wait for me to object, 3) file suit against me, for exercising my right to object, in the hopes of garnering media attention for what is otherwise an unremarkable deli."

Who Owns the Legal Right to Promote Death on a Plate?, The Wall Street Journal Blog (May 11, 2011, 1:50 PM ET) (Chuang Decl. Ex. E.)

HAG's counterclaims allege that the Deli's actions infringe upon its rights to the HAG Marks. HAG used the litigation to drive up the Deli's expense, and to attack the Deli in the press. It should not be allowed to dismiss its counterclaims without prejudice now that it has to prove its claims.

C. The Litigation Is In An Advanced Stage.

The lawsuit was filed over six months ago. Discovery is set to close on January 13, 2012. (Consent Sched. Order D.E. 26.) The Deli has already undergone great expense to fulfill its discovery obligations in a timely fashion, and to pursue discovery from HAG. Much of the discovery sought from HAG relates to its counterclaims. Letter from Robert C. Kain to Hon. Paul A. Engelmayer (December 14, 2011).

D. The Duplicative Expense Of Re-litigation.

Any retrial will require a repetition of discovery. HAG admits that it can seek nearly the same relief sought in its counterclaims before the United States Patent and Trademark Office (the "USPTO"). (Mot. pp. 5.) Nevertheless, HAG seeks a dismissal without prejudice so that they may also re-file this claim in federal court. There is no reason to allow Defendants to re-file their claims in federal court if they have an adequate remedy before the USPTO.

E. HAG's Reasons For Dismissal Are Incorrect.

HAG does not provide an adequate reason why its motion for dismissal without prejudice should be granted. It alleges that the Deli has not acted in interstate commerce, but that matter is already properly before the Court in a motion for summary judgment.

HAG also claims that there is no likelihood of confusion.[1] However, HAG's counterclaims arise in part under the Federal Trademark Dilution Act, which does not require a showing of a likelihood of confusion to make a claim.[2] Moreover, Mr. Basso's assertion that there is no likelihood of confusion is based on the mistaken belief that the Deli has not used the Instant Heart Attack mark as a trademark in interstate commerce.

HAG claims that there is no violation of interstate commerce pursuant to the parties' pleadings. (Mot. pp. 4-5.) Mr. Basso's declaration in support concludes that there is no likelihood of confusion because the Deli has not been used in interstate commerce. (Decl. Of Jon Basso In Supp. ¶¶ 3, 6.) However, the Second Circuit has repeatedly held that purely intrastate conduct is adequate to constitute use in commerce within the meaning of the Lanham Act. Dawn Donut Company v. Hart's Food Stores, Inc., 67 F.2d 358, 365 (2d Cir. 1959); Stand Am. V. United We Stand, America NY, 128 F.3d 86, 92 (2d Cir. 1997).

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[1] In determining the likelihood of confusion, the Second Circuit considers the Polaroid factors: the strength of the mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers. Polaroid Corp. v. Polarad Elecs. Corp., 287 F. 2d 492, 495 (2d Cir. 1961).

[2] The Second Circuit considers the following non-exhaustive factors in determining whether there is dilution by blurring under the FTDA: (i) the degree of similarity between the mark or trade name and the famous mark; (ii) the degree of inherent or acquired distinctiveness of the famous mark; (iii) the extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark; (iv) the degree of recognition of the famous mark; (v) whether the user of the mark or trade name intended to create an association with the famous mark; and (vi) any actual association between the mark or trade name and the famous mark. Starbucks Corp. v. Wolfe's Borough Coffee, Inc., 588 F. 3d 97, 105-106 (2d Cir. 2009).

HAG claims that the Deli's use of the term "Instant Heart Attack Sandwich" does not constitute use of the term as a trademark. HAG cites Famous Horse Inc. v. 5th Ave. Photo Inc., 624 F.3d 106 (2d Cir. 2010) to support this proposition. However, the Famous Horse court was referring to 15 U.S.C. § 1127, and the excerpt provided by HAG is incomplete. The complete excerpt of that statute states that a mark is used in commerce on goods when: "(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and (B) the goods are sold or transported in commerce..." 15 U.S.C. § 1127.

A reading of the full statutory definition of use with regard to goods shows that the Deli has been using the Instant Heart Attack mark as a trademark. It is impracticable to affix a mark to the Instant Heart Attack Sandwich, which is served without a container or wrapper. (Chuang Decl. ¶ 4.) The Deli therefore uses the mark on documents associated with the sandwich and their sale, such as the menu and the website. (Chuang Decl., Ex. C.) The Instant Heart Attack Sandwich is sold in commerce, since Dawn Donut and United We Stand Am. has shown that purely intrastate activity is sufficient to constitute use in commerce under the Lanham Act.

Indeed, HAG's conduct before the USPTO undermines its current interpretation of the Lanham Act. In its trademark application, HAG claims a first use in commerce of the marks "Heart Attack Grill" and "Triple Bypass Burger" on October 1, 2005. (Chuang Decl. Ex. B.) At that time, HAG was located only in Chandler, Arizona. Moreover, the Triple Bypass Burger is presented without any label bearing the mark. (Chuang Decl. Ex. B.)

Even though both parties contend that there is no likelihood of confusion, they do so for different reasons. The results of the different reasons for a lack of likelihood of confusion are dramatic. Mr. Basso incorrectly believes that there is no likelihood of confusion because the Instant Heart Attack has not been used in commerce. If this were the case, the lawsuit should be dismissed. In contrast, the Deli believes that there is no likelihood of confusion because of the geographic separation between the parties and the difference in nature of the products. If the Court held this to be the case, the Deli would have the right to exclude HAG from spreading into New York, as this may cause a likelihood of confusion. Weiner King, Inc. v. Wiener King Corp., 615 F. 2d 512, 525-526 (CCPA 1980) (holding that the senior user of a mark could exclude a first-to-file junior user from the senior user's zone of reputation or probable expansion).

It also must be pointed out that the factual allegations in HAG's letter are flatly incorrect. Contrary to HAG's assertions otherwise, the Deli has provided documents demonstrating the use of the Instant Heart Attack Sandwich mark prior to April 2008. A copy of the menu offering the Instant Heart Attack Sandwich and the invoice for the menu dated August 10, 2005 were produced. (Chuang Decl., Ex. C.) Moreover, a review of the Instant Heart Attack Sandwich dated May 19, 2004 published on Chowhound shows that the Sandwich was sold to the public since at least that date. (Chuang Decl., Ex. C.) A picture on the Deli's website shows an Instant Heart Attack Sandwich with the caption "A 2nd Ave Deli Original, the Instant Heart Attack Sandwich: it's pastrami on...drum roll...potato pancakes. Worth the hospital bills." (Chuang Decl., Ex. A.) Clearly, the Deli has used the Instant Heart Attack Sandwich mark in connection with the product to designate itself as

the commercial source thereof. In other words, the Deli has used the mark as a trademark in interstate commerce since at least 2004.

Furthermore, contrary to HAG's misstatement of RTA Nos. 89-91, there are newspaper articles that discuss the Instant Heart Attack Sandwich. A quick Internet search yielded a Bloomberg article regarding the Deli dated December 18, 2007 that mentions the Instant Heart Attack Sandwich. (Chuang Decl., Ex. D.) There is also a New York Times article on the Deli dated January 6, 2006 that also mentions the "mammoth Instant Heart Attack." (Chuang Decl., Ex. D.)

In conclusion, HAG has not provided any reason why its counterclaims should be discharged without prejudice. HAG always had and will always retain the opportunity to seek recourse before the USPTO in the future. There is no reason that it should be allowed to re-file this matter in a US District Court after proceeding so far in this case.

For these reasons, the Deli respectfully requests that HAG's motion to voluntarily dismiss its counterclaims without prejudice be denied in its entirety.

Respectfully submitted.

Dated: December 16, 2011
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